

COMMENTARY

THE FACTS ABOUT "CAPITALIST INEQUALITY"

Are the Rich Getting Richer and the Poor, Poorer?

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*Each one for himself and God for us all,
as the elephant said when it danced
among the chickens.*

IT IS often said that economic inequality is one of the besetting problems of capitalism. In large and influential areas of political opinion there is a clear dissatisfaction over what is presumed to be the distribution of income and of wealth, over what economic power actually means, over the prevalence of monopoly, and over the living conditions of the poor. When put to the test of fact, this dissatisfaction supports

AMERICAN economic life, which is in a perpetual state of exhaustive self-scrutiny, is paradoxically enough also a *terra incognita*, known to most of the world, including many Americans, by way of prejudices and groundless theories rather than through the facts that are available. This article examines one of the most widespread beliefs about America: that the rich keep getting richer, the poor keep getting poorer, and wealth is concentrated in fewer and fewer hands with the passing of time. WILLIAM D. GRAMPP, associate professor of economics at the University of Illinois in Chicago, here analyzes this thesis, together with the corollary beliefs attached to it, and considers to what extent they are supported or contradicted by the available data, and to what extent they miss the point entirely. Mr. Grampp was born in Columbus, Ohio, in 1914; he received his PhD from the University of Chicago.

itself by citing the disproportionate share of income going to the very richest, the concentration of wealth among a few families, and the great income and assets of some large corporations.

From these fragmentary statistics has come a moral denunciation of capitalism, or, to call the system by a more accurate name, of the free and private enterprise economy. The system, according to its modern liberal critics, is unjust and inadequate. It holds out great rewards to those with no more proper claim than the accident of being born wealthy, or of being skilled at chicanery, or having a flair for pandering to the public's lowest tastes. The system, they continue, separates the performance of social function from the title to income, and is unable to provide a proper income to all who contribute to its functioning. It has fallen, moreover, onto lean days and has about run its course, indeed would have expired sooner were it not for having been sustained by public spending and war.

The moralizing has been rich in exercises of wit. The most winning is the fable of the chickens and the elephant, which provides this article with its epigraph. It is also the most mistaken, gathering into a few words much of the modern liberals' misunderstanding about the economy. I wish to suggest that the problem of equality in a free society

is not the need to arrange affairs in order that the chickens and the elephant shall stay out of each other's way, or that the chickens should be made into elephants, or elephants into chickens. For, upon close examination, we may discover that what we see is not, after all, an elephant dancing among chickens.

THIS requires that we look into some long-standing, highly honored, and most fanciful beliefs about the distribution of economic power. Let me set these down in such a way that they can be tested by fact:

(1) The distribution of income is grossly unequal and is becoming more unequal with time.

(2) The middle class is declining in economic importance.

(3) There is too little opportunity for a family to move from one income group to a higher one, because the barriers between classes are becoming more formidable.

(4) The working class rarely has enough income to maintain itself in health and efficiency.

(5) The ownership of capital is grossly unequal. The social power of America's leading families—the famous “sixty families”—is increasing dangerously.

(6) Free enterprise is being supplanted by monopoly, and monopoly is exploiting both consumers and workers.

It is something like these six propositions which must be in the minds of many liberals when they remark upon the injustice and inadequacy of the economy, or, to use their language, the “crisis of capitalism.” It is notions of this kind which prompt the liberal weeklies to swallow any evidence of monopoly brought before a Congressional committee with a gullibility that the same editors would regard as absurd were the matter an investigation of subversive activity. Nor are the liberals alone in this respect; conservatives, and even many “reactionaries,” are just as gullible.

Of course, there are few people in the United States who regard the collapse of capitalism as imminent. The most doctrinaire

of amateur economists is aware of the high real incomes of the past ten years. Yet abroad, where the left wing still dwells in memories of the great depression, the tiniest bit of misinformation, already misconstrued in its American source, is wildly exaggerated and blown into a sententious statement about the recurrent crises of American capitalism. The *New Statesman and Nation* (whose economics has never been its strong point) often has regarded the Marshall Plan as a means of rescuing big business from the last and fatal depression—which analysis puts socialist Britain in the odd position of helping American capitalism save itself. The high profits of American business in 1950 were taken as evidence that the economy was sustained by war; the mild recession of 1949 was hardly less than fate slamming the gate on Wall Street. A CIO demand for a general wage increase is presented to English readers as additional evidence that American workers must struggle relentlessly against exploitation and impoverishment.

In the fundamental propositions which produce such an interpretation is the implicit assumption that there is an excessive concentration of economic power in the United States and that it is disclosed in three ways: in the distribution of income, in the absolute amount of real income, and in the prevalence of monopoly. There also is the more remote assumption that if economic power were distributed more equally there would follow great improvements of a political and cultural as well as of a material sort. I wish to set down what is known of the facts of income, wealth, and monopoly, and then to notice what seem to me to be the ruling considerations in the matter of inequality.

THE facts about the distribution of income are surprising, in a wry sort of way, because they offer so little support to received prejudice and because they are so much in agreement with common sense. It happens that the facts are more complete than ever because of the admirable surveys of consumer finances which the Federal Reserve Board has sponsored for the last six years.

This is what the surveys reveal in answer to the six questions posed above:

(1) THE distribution of income is becoming less unequal. In 1949, the last year for which data are presently available, there was less inequality than in 1941. The share going to the poor was about the same in both years while that going to the rich decreased about 8 per cent. This information is summarized in the accompanying table, which shows the share of total income (before taxes) going to each fifth of the population. If income were distributed with perfect equality, each fifth of the population would receive a fifth of income; if income were distributed with absolute inequality, the top fifth would have 100 per cent of the income. The data in the table are from two different sources, and the one after 1947 defines income differently from that before. However, the definitions are similar enough to disclose any important change in income distribution.

THE DISTRIBUTION OF INCOME

	Percentage of Total Income				
	1935-36	1941	1944	1947	1949
Poorest 20%	4.0	3.9	4.5	4.0	4.0
Second 20%	8.9	9.6	11.0	10.0	11.0
Third 20%	13.7	15.6	16.6	16.0	17.0
Fourth 20%	20.4	22.1	22.5	22.0	23.0
Richest 20%	53.4	48.8	45.4	48.0	45.0

Sources: Based upon data from the *American Economic Review*, XL, No. 2 (May 1950), p. 332; and the *Federal Reserve Bulletin* (August 1950), p. 955.

Among the richest fifth of the population, the top half, or 10 per cent of all spending units,* received 30 per cent of all income. Their minimum income was \$7,500, which—in itself—is not what is thought of as great riches. However, there are no adequate figures on the share of total income received by the richest 2 or 3 per cent of all spending units; and statements about their economic power are hypothetical at best and at worst

* A "spending unit" is a group of persons who share their individual income and expenses, and is not quite identical with a family.

are mere predispositions given a spurious empirical basis. In its tabulation of income, the Board does not include explicit gains and losses from the sale of capital items, such as real estate, business interests, securities, etc.; these properly belong in the classification of wealth rather than income. Their effect on the distribution of wealth is uncertain because it is not known in which income classes there is a net gain. Since an above-average increase in the value of one capital item is offset by a below-average increase or a decrease in the value of another, changes in capital values would increase inequality only if the lower capital classes showed a net loss. The figures on the distribution of capital, given below, which tell us that relatively large amounts of capital are owned by some low-income groups and relatively small amounts by some high-income groups, suggest that capital gains and losses are widely distributed.

(2) THE table shows that while the *relative* position of the poorest 20 per cent has not improved—their share of the national income remaining the same in the past fifteen years (although the purchasing power, despite inflation, of this share has increased)—the share of the richest 20 per cent has decreased. The share going to the middle income groups is increasing, particularly the second and third 20-per-cent classes—the "lower middle" and "middle middle" classes. Between 1935-36 and 1949, the former's share increased about 22 per cent while that of the latter increased about 20 per cent. The portion going to the "upper middle" group increased about 10 per cent.

Hence, it is not true that the rich are getting richer and the poor are getting poorer. The data show that the middle class is getting richer—is receiving a larger share of total income—at the expense of the highest income groups. The dirge has been premature which so long has played over the middle class.

The figures show the distribution of money income before personal income taxes have been paid. Income after direct taxes is distributed even more favorably to the 60 per

cent of the population who, in our table, make up the middle classes. It appears that the principal effect of direct taxation is to reduce the share going to the richest fifth and to increase the share of the middle groups rather randomly while the poor are unaffected. When account is taken of indirect taxes (sales taxes, excises, property levies, estate and gift taxes), the position of the middle classes is strengthened. These taxes fall most heavily in absolute amount on the rich and in relative amount on the poor. Actually, the middle classes have done quite well, and from the point of view of tax justice a bit too well.

Changes in the distribution of income over longer periods than the fifteen years shown in the table are difficult to measure, because earlier series define income much differently and are not comparable with later data. What information there is, suggests that the movement of recent years is part of a long trend away from income concentration. The economic historian Chester W. Wright, after studying the income tax returns filed in 1869-70, remarked: "Whereas the striking thing is the small number of the population having enough taxable income to make a return, it is also most significant that these returns indicate a greater concentration of income than has prevailed during the last quarter century [1915-1940]."

(3) CHANGES in the income position of a family are very common. Therefore, mobility—at least among economic classes—is common; there is no basis in fact for the common assertion that class barriers are hardening and that there is a grave decline in economic opportunity. This is implied by the increasing economic importance of the middle class, and it is shown directly by data on the frequency of income changes. In 1949, about 70 per cent of all spending units had a different income than in 1948, of which 30 per cent had lower and 40 per cent had higher incomes. In 1949, increases of 25 per cent or more in income were most frequent among clerical and sales employees and among spending units headed by fairly young per-

sons (the 25-34 age group). Decreases of this size were most common among farmers and persons in the 35-44 age group.

Now it happens that the groups which had the greatest increases are usually found in the middle-income classes, and the amount of their income change was sufficient to move many into a higher middle-income category. The frequency of income changes does not, however, denote a mere milling about of the middle classes. Among the very poorest of 1948, about half had a higher income the following year, compared to 31 per cent among the rich who had higher incomes in 1949 than in 1948. It should be observed that the upward movement in the income scale in 1949 was not the product of inflation, because total personal income in 1949 was less than in 1948.

Changes in the income of spending units are so frequent and substantial that they cannot be ignored in appraising the extent of inequality. A distribution of income through time, as distinct from a distribution for a single year, the Board studies remark, would "probably have many more consumer units in the middle of the distribution and many fewer at either the high or low end than is found in a distribution based on incomes received in a single year."

The causes of income changes are not obvious. When individuals are asked why their incomes have risen or fallen, they usually reply that they have had a raise (or wage cut), that they have been working more (or less) steadily, that their business or farm has done better (or worse), that another member of the family has found a job (or lost one). However, behind these immediate causes are two more compelling factors. One is the changing state of the economy, and the other is the age of the income receiver.

It is a commonplace that the condition of particular markets is always changing. The price of eggs changes; so does the price of other food, of clothing, furniture, gadgets, transportation, the use of capital. Consequently there are simultaneous changes in the income from the sale of these products. So long as prices, or output, or both are free

to fluctuate, there will be income fluctuations and movements of individuals from one income class to another.

In such an economy, subject to this kind of change, some persons will do better than others, because they will be more able to adapt themselves to altered conditions of production and consumption. If one may speculate from income data, they are the younger persons. In any year, there will be more increases in income among persons under 45 years of age than older; and there will be more decreased or constant incomes among those above 45 than below. What is perhaps the most interesting fact disclosed by the Board's studies—and one which may be overlooked because it is so pedestrian—is the connection between income and age. The data show that the very young and the very old are poor, that as individuals grow older their income increases until they are about 50, after which it begins to decline. The inequality between the younger people and the older—with the younger tending to better themselves at the expense of the older—is a salient fact too often overlooked.

(4) THE amount of real income has been increasing as well as becoming less unequal in its distribution. In this change, the position of the working class has been improving; and it must be understood that industrial workers are *not* among the very poor of the economy. Between 1936 and November 1950, the average weekly earnings of workers in manufacturing industries increased from \$46 to \$62, or about 35 per cent (measured in dollars of constant purchasing power). Between 1941 and 1951, the increase in real wages was about 25 per cent. Actually, the annual increase of the past ten years has been no more remarkable than the annual increase over the last century. Between 1850 and 1950, real income per person increased about 350 per cent. Concurrent with the rise in real wages has been a reduction of about 45 per cent in the length of the work week. Put another way, these figures mean that the average worker who earned \$14 for a 66-hour week a

century ago now earns about \$62 for 36 hours. It should again be stressed that these are not "inflated" dollars, but are dollars of constant purchasing power: the figures take into account the rise in prices during that period.

There has, indeed, been too much attention devoted to the income of the working class and too little to the incomes of other members of the community. Modern liberals have been for so long under the spell of the proletarian myth that they have always assumed that the poor are the workers. It is interesting to know just who are the poor, and, equally interesting, who are the rich.

The very poorest in 1949 had an income of less than \$1,000 (per spending unit). The individuals concerned were most often over 65, usually a couple whose earning days were behind them, and only one of whom had an income, most commonly a pension or an allowance. More of the poor were engaged in farming than in any other occupation, and only one in six was an unskilled, non-agricultural laborer. About two-thirds had no education beyond grammar school. There was a higher percentage of Negroes than whites in the lowest-income group, and there were more poor in rural areas than in cities.

The richest 10 per cent in 1949 had an income of \$7,500 or more; within this income class were some who earned 10 to 100 times as much but whose numbers and share of income are unknown. Usually there were only two persons in the richest (above \$7,500) families, and the most common age was between 45 and 54. Most were in managerial jobs or self-employed, lived in metropolitan areas, had a college education or beyond, and were white. Their income came mainly from salaries. Only a few had an appreciable income from capital: 16 per cent received dividends and interest of \$1,000 or more, while 57 per cent received none at all; 4 per cent received rents of more than \$1,000. About two in one hundred were retired, and conceivably might qualify as "idle rich."

The importance of salary income, as distinct from that earned by the ownership of

capital, affirms what one would suspect from looking at the composition of the national income. Income earned by the sale of labor services is from two to three times as great as that earned from the ownership of capital. In 1950, the national income was about 230 billion dollars, of which 148 billions consisted of wages and salaries; the remaining 82 billions comprised business earnings, with a part representing a return on invested capital and a part the salaries and withdrawals of owners of unincorporated enterprises. If all capital were nationalized but with labor remaining free to choose its occupation, and if occupational differences remained (as they almost certainly would), there would still be inequality in the distribution of the two-thirds to three-fourths of the national income which consists of labor earnings. The very lowest incomes often are from the sale of labor services, and the very highest are almost always that. A re-division of profits, rent, and interest would leave this form of inequality untouched. This would be so even if capital earnings were confined to the highest 20 per cent of income receivers (or highest 40 per cent). Actually, there is a sizable ownership of capital among the low-income groups. Nationalization, therefore, would have no great effect on inequality.

The immediate cause of inequality is not the unequal distribution of capital but of labor skills, talent, and access to high wage and salary markets. The inequality could be reduced, of course, by taxation, the efficacy of which however has distinct limits. It is odd that modern liberals have given so much attention to the nationalizing of capital as a means of promoting distributive justice; it is even more curious that the industries which they propose to nationalize are not often those which over the long period yield the highest profits but instead are those, like steel, which are subject to violent fluctuations in earnings, or are those, like coal mining and the railroads, which are usually unprofitable and many of whose owners would be happy to have the government make them solvent once again.

(5) COMPARED to the information about income, the facts about the distribution of capital are meager and inconclusive. There is no reliable estimate of the national wealth; there is, actually, not even an estimate which is more than speculative. Consequently, it is highly conjectural, to say the least, to assert that a certain proportion is owned, dominated, controlled, or manipulated by America's sixty leading families (or six thousand or six million).

The best information about individual wealth comes again from the Federal Reserve Board studies. In early 1950, about 40 per cent of all spending units had a net worth of \$5,000 or more. "Net worth" consists of the major part of a unit's assets (like a bank account, securities, business interest, house, automobile) less the major part of its debts (mortgage, installment buying balance, unpaid loans, etc.). The net worth figure represents about what a spending unit fully owns, or its capital. About 8 per cent of all units had capital of \$25,000 or more. About 35 per cent had \$1,000 or less, some of them less than nothing. *In each of the income classes, at least one-fourth of the units had capital of \$5,000 or more.* Since a continuously poor spending unit could not have accumulated \$5,000, the fact implies that some families in the lower-income groups were not always there but at one time had been richer. It also implies that some high-income families were at one time in a lower-income group, and had not been rich long enough to accumulate greater capital. The distribution of capital among all income classes reinforces the finding of the income study that there is much class mobility. The fact that the distribution of capital is more unequal than the distribution of income reinforces the finding that capital is less important than labor services as a source of income. If the distribution of income were determined by the ownership of capital, income would be distributed about as capital is.

The *very* wealthiest were those with a net worth of \$25,000 or more—a figure, to be sure, which is not usually associated with

great wealth but one which will have to do until accurate information is available about the sixty or six thousand leading families. The very wealthiest, according to the Board's studies, have incomes of \$7,500 or greater, are usually in managerial positions, farming, or other self-employment, most often are sixty-five years old or more, and as a class owe most of the consumer debt. The very poorest (whose net worth is less than nothing) are unskilled and service workers, have incomes between \$1,000 and \$5,000, are between 18 and 24 years old. The middle classes (whose net worth is between \$1,000 and \$5,000) are usually professional and semi-professional workers, have incomes between \$3,000 and \$4,000, are between 25 and 34 years old. These characteristics show the importance of age in the distribution of wealth as well as of income. Those families which become wealthy spend many years in accumulating capital, and if they fail they are quite poor. From the point of view of net worth, the aged are, more than other groups, polarized into the very poor and the very rich.

The forms of wealth owned by the rich are revealing. The most common are liquid assets (government bonds and bank accounts), a house, other real estate, and a business interest. Corporation securities are notably absent from the list. Stock is owned by only 32 per cent of the richest. Among all stockholders, rich and not so rich, three-fourths have stock valued at \$5,000 or less. This group doubtless owns less than 75 per cent of all corporation stock, and the one-fourth of all stockholders whose holdings exceed \$5,000 own more than one-fourth of the capital in American corporations.

It is thus fairly certain that the distribution of corporate wealth is far more concentrated than the distribution of total wealth. It is this fact which has given rise to the presumption that the economy is controlled by a small group of families. But the best measure of economic power is income, which gives an individual the ability to command a portion of the economy's productive resources and of the national product. Eco-

nomie power is, in other words, spending power, and the power to spend is determined by income, which in turn is obtained only in relatively small part from capital ownership, and is derived mainly from the sale of labor services. Corporate wealth is only a part of the total wealth, and the power which it gives is not at all the large and certain magnitude it commonly is thought to be.

(6) THE inequality of corporate ownership, however great, does not prove that monopoly has supplanted free enterprise. It does not even prove that competition is declining. It does prove that restraint of trade would be potentially easier if the relatively few owners of corporations wanted to practice it. The real test of the degree of monopoly is the extent of collusion. We should like to know what percentage of the national income is produced in industries in which one firm, or a group of firms acting collusively, determines price and output. We should like also to know what portion of the national income is produced in industries in which the number of firms is so few that each of them has dominant pricing power. Unfortunately, the facts are not conclusive.

The supposition of widespread monopoly usually rests upon the fact of an unequal distribution of corporate sales, net worth, or a related magnitude. For example, before World War II the 100 largest manufacturing corporations produced 33 per cent of all manufactured output and employed 20 per cent of all workers engaged in manufacturing. The Temporary National Economic Committee gathered together much information, before the last war, about markets in which a few firms produced the major part of the output. Yet the findings of the committee were inconclusive. In his final report, the executive secretary said: "Among 1,807 products, representing nearly half, by number, and more than half, by value, of those included in the Census of Manufacturing for 1937, there were 291, or more than one-sixth in the sample, in which the leading

producer accounted for 50 to 75 per cent of the total supply."

I take this to mean that the most monopolistic section of manufacturing consisted of about 600 markets, in each of which one firm had from 50 to 75 per cent monopoly power, and in the sum of which about 17 per cent of the total amount of manufactured goods was produced. These facts, stated in another way, show that in 1937 about 17 cents out of each dollar's worth of manufactured goods were produced in conditions of substantial, although not complete, monopoly. George J. Stigler has concluded from the findings of the committee and from other sources that from 55 to 67 per cent of the national income was produced under conditions of effective competition in 1939.

The National Resources Committee disclosed in 1936 that there were extensive connections among large corporations in all industries. They were related by stock ownership, common directorates, banking affiliations, personal ties, and in other ways. The committee said, and the Temporary National Economic Committee repeated: "While it is certain that the extensive economic activity represented by these corporations is in no sense subject to a single centralized control, it is equally certain that the separate corporations are not completely independent of each other." The National Resources Committee ended its statement of findings with the question, which it did not attempt to answer: "What is the significance of the existence of more or less closely integrated interest groupings for the pricing process?"

The question is one aspect of the more general question: What is the degree of monopoly power in the economy? In looking for an answer, it is prudent to make the plain distinction between markets which are substantially controlled by monopoly (in which, say, more than three-fourths of the output is sold by a single organization) and markets in which the number of firms is too small for the efficiency of competition to make itself known. It is rash to think that where competition is absent, there monopoly must be.

There are many industries which are not efficiently competitive—like the automobile, in which three firms produce most of the product—but it usually will be found that these industries are not monopolistic. In such few-firm, imperfectly competitive markets there usually is rivalry, and it is often stronger and more fierce than in more widely competitive markets. It is, in fact, these markets which exhibit the effects of what is commonly and mistakenly called "competition": the aggressive, piratical, and wasteful effort to capture sales, rather than the effort to lower costs through efficiency. The businessmen in such industries believe it is only they who really understand what "competition" is, and they are bewildered when accused of monopoly, of which indeed they usually are innocent.

Collusion among the leading firms in such industries is fairly easy to initiate and most difficult to sustain. Having made what is an unenforceable contract, the firms must rely upon the honor of all to secure it. Extra-legal and illegal penalties may intimidate those who would later withdraw, but these measures cannot compel obedience. The economic history of the past seventy-five years is littered with the debris of shrewdly conceived and poorly sustained collusive agreements.

EVEN where substantial monopoly does exist, its power is not always completely exploited. Although it may come as a surprise to some, it is one of the realities of economic life that many firms could exercise more monopoly power than they do but restrain themselves for a variety of reasons. One is the fear of attracting competition. J. R. Hicks has remarked that "the best of all monopoly profits is a quiet life," on the plausible assumption that the captains of industry have moments of common humanity as well as exhilaration from their world of telegrams and anger. They also are restrained by the fear of government action: an investigation by a Congressional committee, an order from the Federal Trade Commission, a prosecution undertaken by the Anti-Trust

Division. A friend in the automobile industry tells me that his company (one of the large ones) is forever grateful for the survival of the smaller firms, because it knows their disappearance would immediately evoke clamors for public action against the supposed monopoly of the big three.

More important than voluntary restraint is the fact of economic change. Established firms are under continual assault by the development of new products, improvements in old, by changes in consumer taste and income, by other firms' finding ways to lower their production costs, by population increase and geographical movement, by changing public opinion and political power. Of the eight almost perfect monopolies in the United States about the year 1900, only one is still in existence. The others were broken up by anti-trust action and by the kinds of change noted here.

WITHIN large firms, whether monopolies or not, there is also a form of compulsory restraint on the exercise of power. Aware that their position never is secure, these firms surround themselves with those protective devices which competition automatically establishes. The large firms separate into smaller units, require that each make its own way, and occasionally that they compete among themselves. The outstanding instance of this is General Motors. Each of its automobile divisions is free to buy parts from a supply organization within the corporation or one outside it, and as each division tries to show a profit on its operations, it buys where the price is lowest.

The most fundamental restraint upon monopoly power is the competition of the products of other industries, some of which also may be monopolies. This competition is most apparent among goods and services which are close substitutes: automobiles vs. railroads vs. buses vs. airlines, etc. It is no less real among products which seem quite unrelated in consumption but which in fact compete for the consumer's dollar. Automobiles compete with television sets, books with travel, liquor with the movies, clothing with furni-

ture, a summer in the country with an expensive winter in the city. The consumer, it has been remarked, is a much neglected creature. What in reality has been neglected, or underestimated, is his ability to make his will known and to resist, if not always to overcome, the plundering of monopoly. Pushed around he has been, but he has not been defeated, as certain enterprises (like dairy farms) have learned to their great expense.

THE facts about monopoly and about the distribution of income and of wealth are important and curious. They demonstrate how foolish are many of the current persuasions about the economy, and they are curious for having had so little effect in altering these persuasions. However, the facts also demonstrate that inequality is real, whether viewed in the fundamental sense of the unequal distribution of income, or in the less significant sense of inequality in the distribution of wealth and of corporate assets. Although the distribution of income in the United States is constantly becoming more equal, there are few persons who believe it is presently distributed in the right (ethically tolerable) way. Monopoly is less common than supposed, but the present condition of many markets cannot be regarded with complacency. Their imperfectly competitive state creates losses in the national income and retards the movement toward its better distribution.

In appraising the possible solutions to inequality, one ought to remember always the common sense observation that the unequal distribution of economic power is only one aspect of inequality. All persons do not have the same income and wealth; nor do all have the same wisdom, virtue, talent, taste, color, religion, family, health, wit, or social presence. If economic power were distributed with exact equality the other perquisites still would fall very unevenly among individuals and would cause much restiveness. There is no anthropological or sociological evidence to show that among communities where economic power is distributed evenly there

necessarily is no antagonism, rivalry, or conflict.

AN EQUAL distribution of economic power could, indeed, make non-economic rivalries more troublesome. It often strikes one as irrational that families try to beggar their neighbors by their wealth, that business firms should try to build inefficient empires, that their executives should be touched with megalomania, that labor unions should insist on uniform treatment of all workers irrespective of their individual differences. Yet, as Keynes observed, the passion for dominion may be much more dangerous outside the market than within it, and so long as people will make fools of themselves it is best to let them do it in the least harmful way. One has only to think of racial rivalries to realize that economic conflict is not the most virulent of disorders.

Yet it is highly unreal to suppose that economic power itself could be distributed in a more tolerable way simply by rearranging the economic organization. To take the direction of affairs from the market and place it with the state is to follow a course which only the most sanguine can regard hopefully. It is perhaps unsporting to call attention to the inequality of income in the Soviet Union, which appears to be greater than in the United States, and to ask whether the concentration of economic power with the state has delivered the Russian people to a happy upland of justice and prosperity. It is perhaps more to the point to call attention to the British effort, where socialism has the inestimable advantage of working its reforms among a people of remarkable ability for self-government. In the United Kingdom, income has been redistributed with greater equality than in any other nation. Yet the socialists themselves are alarmed at the gross inefficiency of planning and are dismayed by the great increase in the power of the state. Some of their leading economists now insist on a return to the market mechanism wherever possible, and, according to the former head of their economic secretariat, J. E. Meade, such possibilities are extensive.

THIS is not an apology for the existing state of affairs in the United States, which ought to be improved. But it is meant to warn against expecting too much from a reduction in economic inequality, even where that is possible. A policy meant to reduce inequality would have to begin by determining its major causes. Individuals with higher than average incomes have their favored position because of superior ability, or monopolistic restrictions which exclude competitors from their labor market. If it is the latter, it is remediable, to a degree. For example, the income of physicians would be less above the average if their professional association permitted the medical schools to accept as many students as they now have facilities for. The income of building-trades workers, and of certain other "skilled" groups, would be less if unions admitted more workers to the labor market. The return to certain business firms would be nearer the average rate if they were not sheltered by such laws as the tariff acts, the Miller-Tydings Act, the Robinson-Patman Act, the Webb-Pomerene Act, etc. Agricultural income, especially that going to the richest farmers, would be lower if it were not for protective agricultural legislation.

In appraising income differentials created by monopoly, society has only to decide whether the favored groups are entitled to their plums for reasons other than their political or economic power. It has to decide whether carpenters, plumbers, and their fellow workers occupy so distinguished a place in society that they must be kept in jobs at wages which make adequate housing (by pre-war economic standards) too expensive for all but the very rich, while technological advance is deliberately stifled. Society has to know whether agriculture is so important a form of enterprise that it must be preserved by subsidizing several million farmers, including many who are anything but poor. Society must decide why woollens and wines made in America are so distinctly superior to foreign products and so unappreciated by the American consumer that they must be kept in production by high tariffs. In plain lan-

guage, none of this monopolistic practice makes any sense if viewed simply in an economic way. If any group in the economy is to take income away from another (and reduce the total in the taking) it should have a better argument than the blackjack of superior voting power or of syndicalist coercion.

It is monopolies of this kind which threaten a genuinely liberal society. The injury they do is enormous in comparison with the power for evil exercised by the large corporations in America—these latter have no political sanction for their efforts. This monopoly power is dangerous because it has the explicit approval of law and because many of the individuals who exercise it are prohibited from doing anything else. Farmers who would like to compete because their costs are lower are stifled by the cartels administered by the Department of Agriculture. Workers who would like to earn higher wages because they are more productive are forced into inefficiency by the work rules of unions supported by federal labor legislation. Large retailers who want to pass on their lower selling costs to consumers are hamstrung by "fair trade" legislation. American exporters who would like to give the world a taste of honest free trade are frustrated by a network of restriction in which tariff-sheltered American industries participate.

Politically supported monopoly has been increasing. Should it continue to develop, the American economy will drift, or be pushed, into a syndicalist condition, surrounded no doubt by the rhetoric of social justice, orderly marketing, stable prices, fair wages, etc., while its actual existence will be fixed by irresponsible assertions of power as each group tries to score against all others. In its purely economic aspect, a syndicalist economy is grossly inefficient, because each vested interest can gain a larger share of the national income only by restricting production *more* than any other group does. It is the Caucus Race in reverse, in which everyone loses a prize. One cannot measure how much the American economy already has

been impoverished by syndicalism, but it is fairly certain that the loss is much greater than most persons suspect. They become agitated over scandals of the kind uncovered in the recent crime investigation or in the RFC inquiry, while they happily ignore the billions of income which are lost or diverted by legalized monopoly.

AS CRUDE and as flagrant as they are, legal monopolies are not the most difficult to remove. The more fundamental problem of monopoly is created by those persons whose unusual talents and distinctly superior ability yield the very highest incomes in the economy. The roll includes business magnates, lawyers, actors, pugilists, crooners, baseball players, and others who have an ability which is much in demand and little in supply. This ability obviously has no necessary connection with wisdom, virtue, creative talent, or any of those other qualities which society admires but is not often willing to pay for. Much has been written of the great rewards which the American system of free enterprise holds out to those of superior ability, and, like all tautologies, it is very true: the kind of ability which earns a high income is defined as the ability to earn a high income. This principle would be respected in any kind of an economic system which decided to give the population what it wanted, and not what was good for it.

The condition could be mitigated if individuals wanted the "proper" things—symphonies rather than television acts. But they don't. The prospect of reforming individual preferences is not a cheering one, and the task would be singularly unrewarding even if leaders could be found with the taste for that sort of thing. Yet even so vast a reform would not work a substantial improvement in the distribution of income. There would, it is true, be a correspondence between economic and non-economic values, but the ability to create the "proper" things would itself not be uniformly distributed. There would remain the few who excel in intelligence and creative ability.

This kind of ability is not only scarce. It

is distributed in a way which is without ethical justification. Whether a man is a genius or a fool or a mediocrity will depend on his inheritance, and this of course is given by the chance of birth. Some few will be lucky, most will not. The fortunate ones will have high incomes, the others will do less well. Indeed, it is luck which determines the very highest incomes in any kind of an economy which rewards ability. It is irrelevant how ability is defined and what is its relation to non-economic values. Whether the economy rewards the wise and the good and the creative, or whether it honors the leaders of men, the film stars, and the person who can turn out a fanciful gadget—it necessarily rewards scarcity. The economy, of course, could arbitrarily take income away from the “able” and give it to the less “able,” but such an act would leave the basic problem untouched. What an equalitarian society presumably seeks is better men, not merely less disparity of income.

Once we look to the causes of scarcity of

ability, we are confronted with the odd fact that it is the product of chance. It is as though income were distributed in the manner of a giant lottery, except that there are very few who get no prize at all. One can listen to a justification for distributing income according to effort or according to need. Each of these ethical defenses has a respectable argument to offer. But there is no ethical defense for distributing income according to chance, and it would take a strange turn of mind to concoct one.

There is, of course, one way to remove the chance distribution of ability and hence of economic power. Since a child's ability depends on the family into which he is born, it may be altered by a program of eugenic control, which would require at least the elimination of the family. There are not many who have been so disturbed by economic inequality that they have been driven to this desperate remedy. But there have been some, like Plato and Marx, and a few other extremists.

BOREDOM

SOL STEIN

MINE enemy comes with the frequency
of death.

The eye in unexpected quarters catches
Silent hushes, akimbo-armed, standing stock
And watching, winding grinding ratchets.

The grate of time is like the grate of death.
The sound of time predicts the sound
of keening

Coming. Moments accumulate the body's
dust

In corners of the brain. The sky is leaning.

The silence of it all is death.
And death is rain. The raining starts
And lasts these forty days or hours
Till weather floods the hollows of the heart.

Rain against the windowpane is death.
The waters rise and seconds swell
Like the bloating of a corpse. Taps
Bugled. The foot taps. Clocks tell

Time, the conscious counterfeit
of death.

Moments pass with every forfeit breath
And linking, form the yawning gaps
Of history. History is full of death.

But a brittle bit of time now breaks.
Ears tingle toward the sudden leak of sound.
Ho time, hear near the quaking
of events.

Mine enemy avast! There's a rumbling
in the ground.

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